

**TUNE, ENTREKIN & WHITE, P.C.**

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December 8, 2004

**Via Hand Delivery Only**

Tennessee Regulatory Authority  
Sharla Dillon, Docket Room Manager  
460 James Robertson Parkway  
Nashville, TN 37243

RE: Cartwright Creek, LLC's Petition to Amend Certificate of Public Convenience  
and Necessity to Provide Wastewater Utility Services  
TRA Docket No. 04-00358

Dear Ms Dillon:

In response to the information requested in the December 6, 2004 Data Request forwarded by Utilities Division Chief, Darlene Standley regarding the above-referenced petition, I am pleased to submit for filing an original and thirteen copies of Cartwright Creek's responses to the requested information. The numbered paragraphs below correspond with the numbered paragraphs in the Data Request.

1. Please provide the most recent financial statements inclusive of Balance Sheet, Income Statement and Statement of Cash Flow for Cartwright Creek, LLC (i.e., after the transfer of control).

**RESPONSE**

Please see attached Exhibit A showing the Financial Statements of Cartwright Creek after the change of control.

2. Will Sheaffer International, LLC be providing any funding to Cartwright Creek, LLC on an on-going basis? If so, provide the amounts and dates that funding will be provided.

**TUNE, ENTREKIN & WHITE, P.C.**

**RESPONSE**

During the first three months of 2005 Sheaffer International intends to install a Sheaffer Sludge Elimination System on the site. It is estimated that this system will cost approximately \$400,000, excluding engineering fees. These fees will be financed by Sheaffer International, LLC. The implementation of this system will enable Cartwright Creek to eliminate its need to haul sludge from the facility through a supplemental process which mineralizes the biosolids.

In addition, Sheaffer International has identified investment partners which will provide the necessary financial resources to secure tax-exempt funding to expand the Cartwright Creek Grassland facility. It is Sheaffer's current intention to expand the capacity of the facility to serve an additional 1,000 customers through a significant land application program of treated effluent. Several developers have expressed an interest in entering contracts for additional taps. These commitments, as well as the guarantee of Sheaffer's investment partners will provide the necessary credit support to bond financing of the plant expansion. Bond financing is necessary to provide a lower overall capital cost and facilitate cost recovering over a longer period of time to offset the adverse federal income tax impact of tap fees to a private utility.

3. Please provide a document that details all proposed construction costs and estimated expenses, by year, associated with the engineering and construction of the infrastructure related to providing and supporting the proposed expansion of 2000 homes in PGA 5 with wastewater facilities by Cartwright Creek, LLC. Provide copies of any contracts between Cartwright Creek, LLC and an entity to provide design, engineering and construction.

**RESPONSE**

See attached Exhibit B for estimated costs of the initial facility to serve 216 homes.

A Sheaffer System is readily expandable to accommodate additional capacity in a cost effective manner. Sheaffer International's market analysis indicates that several parcels near the proposed Waterbridge development have been targeted for development by their respective owners. These parcels will be considered for either stand-alone service or an expansion of the currently proposed system.

4. Please provide projections of Cartwright Creek, LLC's five year plan inclusive of Balance Sheet and Income Statement, both for the proposed development and for Cartwright Creek, LLC's total entity.

**RESPONSE**

See attached Exhibit C.

**TUNE, ENTREKIN & WHITE, P.C.**

5. Please identify how Cartwright Creek, LLC plans to obtain funding to provide the wastewater facilities for PGA 5. Include copies of any associated documents such as loan agreements, investor contracts, etc.

**RESPONSE**

Cartwright Creek has a commitment from an investment partner to provide the necessary capital to proceed with the Waterbridge development. In the event that this transaction does not close, the developer is prepared to build the system himself and transfer ownership to Cartwright Creek, LLC. This developer has agreed to indemnify Cartwright Creek for any cash shortfalls during the startup phase.

6. Please identify how Cartwright Creek, LLC plans to obtain funding for current operations including payment of the \$415,000 Promissory Note.

**RESPONSE**

At this time, Cartwright Creek, LLC has not identified how the promissory note will be repaid. However, the Company realizes that the value of this note is an acquisition adjustment to the Company's rate base that is not, and will not be included in customer's rates. Therefore, the eventual repayment of the promissory note is solely the burden of the Cartwright Creek, LLC Investors and not a rate item for consideration by the TRA.

7 Please provide details and any supporting documentation of who will be providing design, engineering, construction and on-going maintenance for the entire project.

**RESPONSE**

See Facilities Management Agreement attached as Exhibit D. Cartwright Creek will Contract with Sheaffer International LLC to provide design services as well as operational oversight. Sheaffer International LLC has been contracted by the Town of Thompson Station to operate a regional wastewater treatment system scheduled to be completed by mid 2005. Sheaffer's operators for this system will provide operating support to the Waterbridge System. The current Cartwright Creek operators have been engaged to continue their services to the existing Grassland's facility.

The general contractor for the current system has not yet been identified. Sheaffer International LLC will provide a construction oversight and inspection service to assure that the facility is constructed in accordance with any construction permit granted by TDEC.

8. What is the target date for connecting the first homes to the system? What is the anticipated date for completion of the project?

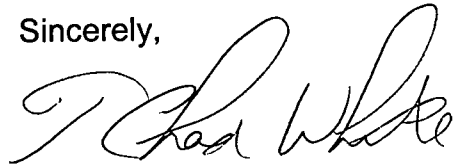
**TUNE, ENTREKIN & WHITE, P.C.**

**RESPONSE**

It is anticipated that construction of the project will begin early in 2005 with completion scheduled for the summer. The first homes should be hooked up by September 2005.

Thank you for your consideration of Cartwright Creek's Petition. Please contact me, if you have any other questions or need anything further.

Sincerely,



T. Chad White

TCW/ab

Attached Exhibits

H:\CWhite\Sheaffer (Waterbridge) 14124 01\12 04 Data Request Resp\Resp Data Request 12 6 04 wpd

Cartwright Creek, LLC  
Five Year Pro-Forma Income and Expense and Balance Sheets 2004-2010

Cartwright Creek Utility Co , Inc  
Income Statement  
Twelve Months Ended October 31,

|  | 2004             | 2005              | 2006              | 2007              | 2008              | 2009              |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Income</b>                            |                  |                   |                   |                   |                   |                   |
| Residential revenues                     | 184,732          | \$ 185,000        | \$ 190,550        | \$ 196,267        | \$ 202,154        | \$ 208,219        |
| Commercial revenues                      | 53,259           | \$ 54,000         | \$ 55,620         | \$ 57,289         | \$ 59,007         | \$ 60,777         |
| Other sewer revenues                     | 421              | \$ 400            | \$ 400            | \$ 400            | \$ 400            | \$ 400            |
| <b>TOTAL Income</b>                      | <b>238,412</b>   | <b>239,400</b>    | <b>246,570</b>    | <b>253,955</b>    | <b>261,562</b>    | <b>269,397</b>    |
| <b>Expenses</b>                          |                  |                   |                   |                   |                   |                   |
| Sludge removal expense                   | 68,790           | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Purchased power                          | 23,462           | \$ 38,000         | \$ 39,140         | \$ 40,314         | \$ 41,524         | \$ 42,769         |
| Chemicals                                | 6,517            | \$ 6,000          | \$ 6,180          | \$ 6,365          | \$ 6,556          | \$ 6,753          |
| Materials & supplies                     | 23,607           | \$ 22,000         | \$ 22,660         | \$ 23,340         | \$ 24,040         | \$ 24,761         |
| Cont serv - engineering                  | 6,127            | \$ 2,000          | \$ 2,060          | \$ 2,122          | \$ 2,185          | \$ 2,251          |
| Contract Operators                       | 38,150           | \$ 38,150         | \$ 39,295         | \$ 40,473         | \$ 41,688         | \$ 42,938         |
| Cont serv - accounting                   | 30,000           | \$ 30,000         | \$ 30,900         | \$ 31,827         | \$ 32,782         | \$ 33,765         |
| Cont serv - repairs & maint              | 31,222           | \$ 12,000         | \$ 12,360         | \$ 12,731         | \$ 13,113         | \$ 13,506         |
| Cont Services - Legal                    | 9,540            | \$ 5,000          | \$ 5,150          | \$ 5,305          | \$ 5,464          | \$ 5,628          |
| Cont serv - Consulting fees              | 60,000           | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Sheaffer Management Fee                  |                  | \$ 14,000         | \$ 14,420         | \$ 14,853         | \$ 15,298         | \$ 15,757         |
| Rents                                    | 4,800            | \$ 1,800          | \$ 1,854          | \$ 1,910          | \$ 1,967          | \$ 2,026          |
| Sheaffer Sludge System Lease             |                  | \$ 20,000         | \$ 20,600         | \$ 21,218         | \$ 21,855         | \$ 22,510         |
| Insurance expenses                       | 475              | \$ 6,000          | \$ 6,180          | \$ 6,365          | \$ 6,556          | \$ 6,753          |
| Postage                                  | 1,576            | \$ 1,600          | \$ 1,648          | \$ 1,697          | \$ 1,748          | \$ 1,801          |
| Regulatory commission expense            | 657              | \$ 700            | \$ 721            | \$ 743            | \$ 765            | \$ 788            |
| Bad debt expense                         | 1,718            | \$ 1,500          | \$ 1,545          | \$ 1,591          | \$ 1,639          | \$ 1,688          |
| Bank charges                             | 406              | \$ 430            | \$ 443            | \$ 456            | \$ 470            | \$ 484            |
| Miscellaneous expense                    | 1,078            | \$ 1,100          | \$ 1,133          | \$ 1,167          | \$ 1,202          | \$ 1,238          |
| <b>TOTAL Expenses</b>                    | <b>308,125</b>   | <b>\$ 200,280</b> | <b>\$ 206,288</b> | <b>\$ 212,477</b> | <b>\$ 218,851</b> | <b>\$ 225,417</b> |
| <b>OPERATING PROFIT (LOSS)</b>           | <b>(69,713)</b>  | <b>\$ 39,120</b>  | <b>\$ 40,282</b>  | <b>\$ 41,478</b>  | <b>\$ 42,710</b>  | <b>\$ 43,980</b>  |
| <b>Other Income &amp; Expenses</b>       |                  |                   |                   |                   |                   |                   |
| Depreciation                             | (83,103)         | \$ (83,103)       | \$ (83,103)       | \$ (83,103)       | \$ (83,103)       | \$ (83,103)       |
| Taxes other than income                  | (11,218)         | \$ (11,218)       | \$ (11,218)       | \$ (11,218)       | \$ (11,218)       | \$ (11,218)       |
| Interest & dividend income               | 230              | \$ 5              | \$ 5              | \$ 5              | \$ 5              | \$ 5              |
| Donations for charitable, soci           | (3,000)          | \$ (1,500)        | \$ (1,500)        | \$ (1,500)        | \$ (1,500)        | \$ (1,500)        |
| Interest expense                         | (22,060)         | \$ (22,060)       | \$ (22,060)       | \$ (22,060)       | \$ (22,060)       | \$ (22,060)       |
| <b>TOTAL Other Income &amp; Expenses</b> | <b>(119,150)</b> | <b>(117,875)</b>  | <b>(117,875)</b>  | <b>(117,875)</b>  | <b>(117,875)</b>  | <b>(117,875)</b>  |
| <b>PROFIT (LOSS) BEFORE TAXES</b>        | <b>(188,863)</b> | <b>(78,755)</b>   | <b>(77,594)</b>   | <b>(76,397)</b>   | <b>(75,165)</b>   | <b>(73,896)</b>   |
| Tax Distribution to Investors            | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| <b>NET PROFIT (LOSS)</b>                 | <b>(188,863)</b> | <b>(78,755)</b>   | <b>(77,594)</b>   | <b>(76,397)</b>   | <b>(75,165)</b>   | <b>(73,896)</b>   |
| Net Cash Flow                            | (105,760)        | 4,348             | 5,509             | 6,706             | 7,938             | 9,207             |

Cartwright Creek, LLC  
Five Year Pro-Forma Income and Expense and Balance Sheets 2004-2010

Cartwright Creek Utility Co.  
Balance Sheet  
As of October 31,

|  | 2004             | 2005             | 2006             | 2007            | 2008              | 2009               |
|--|------------------|------------------|------------------|-----------------|-------------------|--------------------|
| <b>Current Assets:</b>                       |                  |                  |                  |                 |                   |                    |
| Fifth Third Bank - MMA                       | \$297            | \$297            | \$297            | \$297           | \$297             | \$297              |
| Union Planters - Operating                   | \$458            | 4,805 7          | 10,314 9         | 17,020 5        | 24,958 4          | 34,165.6           |
| Union Planters - MMA                         | \$5,475          | \$5,475          | \$5,475          | \$5,475         | \$5,475           | \$5,475            |
| Deferred Rate Case Expense                   | \$668            | \$668            | \$668            | \$668           | \$668             | \$668              |
| Customer accounts receivable                 | (\$498)          | (\$498)          | (\$498)          | (\$498)         | (\$498)           | (\$498)            |
| <b>TOTAL Current Assets</b>                  | <b>\$6,401</b>   | <b>\$10,748</b>  | <b>\$16,257</b>  | <b>\$22,963</b> | <b>\$30,901</b>   | <b>\$40,108</b>    |
| <b>Fixed Assets:</b>                         |                  |                  |                  |                 |                   |                    |
| Utility plant in service                     | \$956,947        | \$956,947        | \$956,947        | \$956,947       | \$956,947         | \$956,947          |
| A/D & amort of utility plant                 | (\$693,064)      | (\$776,167)      | (\$859,270)      | (\$942,373)     | (\$1,025,476)     | (\$1,108,579)      |
| Utility Plant in Service                     |                  |                  |                  |                 |                   |                    |
| Structures & improvements                    | \$25,757         | \$25,757         | \$25,757         | \$25,757        | \$25,757          | \$25,757           |
| Collection sewers - gravity                  | \$219,975        | \$219,975        | \$219,975        | \$219,975       | \$219,975         | \$219,975          |
| Flow measuring devices                       | \$5,414          | \$5,414          | \$5,414          | \$5,414         | \$5,414           | \$5,414            |
| Flow measuring installations                 | \$7,160          | \$7,160          | \$7,160          | \$7,160         | \$7,160           | \$7,160            |
| Receiving wells                              | \$95,903         | \$95,903         | \$95,903         | \$95,903        | \$95,903          | \$95,903           |
| Pumping equipment                            | \$127,225        | \$127,225        | \$127,225        | \$127,225       | \$127,225         | \$127,225          |
| Treatment & disposal equipment               | \$409,085        | \$409,085        | \$409,085        | \$409,085       | \$409,085         | \$409,085          |
| Plant sewers                                 | \$11,158         | \$11,158         | \$11,158         | \$11,158        | \$11,158          | \$11,158           |
| Outfall sewer lines                          | \$21,758         | \$21,758         | \$21,758         | \$21,758        | \$21,758          | \$21,758           |
| Other plant & misc equipment                 | \$31,303         | \$31,303         | \$31,303         | \$31,303        | \$31,303          | \$31,303           |
| Other tangible plant                         | \$2,209          | \$2,209          | \$2,209          | \$2,209         | \$2,209           | \$2,209            |
| Utility plant in service offse               | (\$956,947)      | (\$956,947)      | (\$956,947)      | (\$956,947)     | (\$956,947)       | (\$956,947)        |
| <b>TOTAL Utility plant in service offset</b> |                  |                  |                  |                 |                   |                    |
| <b>TOTAL Fixed Assets</b>                    | <b>\$263,883</b> | <b>\$180,780</b> | <b>\$97,677</b>  | <b>\$14,574</b> | <b>(\$68,529)</b> | <b>(\$151,632)</b> |
| <b>Other Assets:</b>                         |                  |                  |                  |                 |                   |                    |
| Misc current & accrued assets                |                  |                  |                  |                 |                   |                    |
| <b>TOTAL Other Assets</b>                    | <b>\$321</b>     | <b>\$321</b>     | <b>\$321</b>     | <b>\$321</b>    | <b>\$321</b>      | <b>\$321</b>       |
| <b>TOTAL ASSETS</b>                          | <b>\$270,605</b> | <b>\$191,849</b> | <b>\$114,255</b> | <b>\$37,858</b> | <b>(\$37,307)</b> | <b>(\$111,203)</b> |
| <b>LIABILITIES</b>                           |                  |                  |                  |                 |                   |                    |
| <b>Current Liabilities:</b>                  |                  |                  |                  |                 |                   |                    |
| Accounts payable                             | 49,349           | 49,349           | 49,349           | 49,349          | 49,349            | 49,349             |
| Accrued Franchise Tax                        | 585              | 585              | 585              | 585             | 585               | 585                |
| Accrued Ad Valorem Tax                       | 3,650            | 3,650            | 3,650            | 3,650           | 3,650             | 3,650              |
| Accrued Gross Receipts tax                   | 4,880            | 4,880            | 4,880            | 4,880           | 4,880             | 4,880              |
| Accrued interest                             |                  |                  |                  |                 |                   |                    |
| <b>TOTAL Current Liabilities</b>             | <b>58,464</b>    | <b>58,464</b>    | <b>58,464</b>    | <b>58,464</b>   | <b>58,464</b>     | <b>58,464</b>      |

Cartwright Creek, LLC  
Five Year Pro-Forma Income and Expense and Balance Sheets 2004-2010

**Long-Term Liabilities:**

L/T Debt - Reese L. Smith III

L/T Debt - Stephen B Smith

|         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|
| 423,494 | 423,494 | 423,494 | 423,494 | 423,494 | 423,494 |
|---------|---------|---------|---------|---------|---------|

**TOTAL Long-Term Liabilities**

|         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|
| 423,494 | 423,494 | 423,494 | 423,494 | 423,494 | 423,494 |
|---------|---------|---------|---------|---------|---------|

**Other Liabilities:**

Contributions in aid of constr

|           |           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 |
|-----------|-----------|-----------|-----------|-----------|-----------|

**TOTAL Other Liabilities**

|           |           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 | 1,150,293 |
|-----------|-----------|-----------|-----------|-----------|-----------|

**TOTAL LIABILITIES**

|           |           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,632,251 | 1,632,251 | 1,632,251 | 1,632,251 | 1,632,251 | 1,632,251 |
|-----------|-----------|-----------|-----------|-----------|-----------|

**CAPITAL**

Common stock issued

|       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
|-------|-------|-------|-------|-------|-------|

Retained earnings (deficit)

|             |             |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|-------------|
| (1,246,266) | (1,361,646) | (1,439,401) | (1,515,995) | (1,591,393) | (1,665,558) |
|-------------|-------------|-------------|-------------|-------------|-------------|

Year-to-Date Earnings

|           |          |          |          |          |          |
|-----------|----------|----------|----------|----------|----------|
| (116,380) | (78,755) | (77,594) | (76,397) | (75,165) | (73,896) |
|-----------|----------|----------|----------|----------|----------|

**TOTAL CAPITAL**

|             |             |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|-------------|
| (1,361,646) | (1,439,401) | (1,515,995) | (1,591,393) | (1,665,558) | (1,738,454) |
|-------------|-------------|-------------|-------------|-------------|-------------|

**TOTAL LIABILITIES & CAPITAL**

|         |         |         |        |          |           |
|---------|---------|---------|--------|----------|-----------|
| 270,605 | 192,849 | 116,255 | 40,858 | (33,307) | (106,203) |
|---------|---------|---------|--------|----------|-----------|

- 2 Will Sheaffer International, LLC be providing any funding to Cartwright Creek, LLC on an on-going basis? If so, provide the amounts and dates that funding will be provided

**RESPONSE**

During the first three months of 2005 Sheaffer International intends to install a Sheaffer Sludge Elimination System on the site. It is estimated that this system will cost approximately \$400,000, excluding engineering fees. These fees will be financed by Sheaffer International, LLC. The implementation of this system will enable Cartwright Creek to eliminate its need to haul sludge from the facility through a supplemental process which mineralizes the biosolids.

In addition, Sheaffer International has identified investment partners which will provide the necessary financial resources to secure tax-exempt funding to expand the Cartwright Creek Grassland facility. It is Sheaffer's current intention to expand the capacity of the facility to serve an additional 1,000 customers through a significant land application program of treated effluent. Several developers have expressed an interest in entering contracts for additional taps. These commitments, as well as the guarantee of Sheaffer's investment partners will provide the necessary credit support to bond financing of the plant expansion. Bond financing is necessary to provide a lower overall capital cost and facilitate cost recovering over a longer period of time to offset the adverse federal income tax impact of tap fees to a private utility.



## Water Bridge Onsite Sewer

| Description          | Units | Unit Qty | Unit Cost | Extension         |
|----------------------|-------|----------|-----------|-------------------|
| Force main to SMRRS  | LF    | 23000    | \$ 18 50  | \$ 425,500        |
| Stream Crossing      | LF    | 150      | \$ 20 00  | \$ 3,000          |
| Services to each lot | Lot   | 214      | \$ 435 00 | \$ 93,090         |
| <b>Totals</b>        |       |          |           | <b>\$ 521,590</b> |
|                      |       |          |           | \$ 22 68          |

## Waterbridge Sheaffer Plant

| Description                               | Units   | Unit<br>Qty | Unit<br>Cost | Extension            |
|---|---------|-------------|--------------|----------------------|
| <b><u>Reclamation System</u></b>          |         |             |              |                      |
| <u>Grading</u>                            |         |             |              |                      |
| Earth work                                | CY      | 22446       | \$ 3 00      | \$ 67,338 00         |
| Compacted Liner                           | CY      | 5593        | \$ 3 00      | \$ 16,779 00         |
| <u>Blowers, Pipes, Aerators</u>           |         |             |              |                      |
| Aerators/piping                           | Ea      | 21          | \$ 1,000.00  | \$ 21,000.00         |
| Air Heaters & supports                    | Ea      | 1           | \$ 25,000 00 | \$ 25,000 00         |
| Piping, Valves, Flow monitors, & manholes | Ea      | 1           | \$ 40,000 00 | \$ 40,000 00         |
| Blowers and Equipment                     | Ea      | 2           | \$ 20,000 00 | \$ 40,000 00         |
| Blower Shed                               | SF      | 400         | \$ 75 00     | \$ 30,000 00         |
| <u>Irrigation System</u>                  |         |             |              |                      |
| Chlorination Equipment                    | EA      | 1           | \$ 15,000.00 | \$ 15,000 00         |
| Building and pump to irrigaton            | LS      | 1           | \$ 15,000.00 | \$ 15,000.00         |
| Piping from SMRRS to Irrigation areas     | LF      | 2000        | \$ 12 50     | \$ 25,000 00         |
| Irrigation Splinklers                     | Acre    | 17 5        | \$ 5,000.00  | \$ 87,500 00         |
| Irrigation Controls                       | LS      | 1           | \$ 15,000 00 | \$ 15,000 00         |
| <u>Other Support Items</u>                |         |             |              |                      |
| Fencing                                   | LF      | 2000        | \$ 15 00     | \$ 30,000 00         |
| Roads--Grading                            | LF      | 3000        | \$ 10 00     | \$ 30,000.00         |
| Creek Crossing                            | Ea      | 1           | \$ 10,000 00 | \$ 10,000 00         |
| Paving--Base (18' x 3000lf)               | SY      | 6000        | \$ 6 00      | \$ 36,000 00         |
| Paving--Binder                            | SY      | 6000        | \$ 3 20      | \$ 19,200 00         |
| Monitoring Wells--100'                    | Ea      | 4           | \$ 2,000 00  | \$ 8,000 00          |
| Connection to force main @ SMRRS          | Ea      | 1           | \$ 10,000 00 | \$ 10,000 00         |
| <u>Construction Management</u>            |         |             |              |                      |
| Construction Observation for SMRRS        | Percent | 4%          | \$540,817 00 | \$ 21,632 68         |
| Misc Expense                              | LS      | 1           | \$ 15,000.00 | \$ 15,000 00         |
| <u>Engineering/Design</u>                 |         |             |              |                      |
| Feasibility study                         | LS      | 1           | \$ 15,000 00 | \$ 15,000 00         |
| SMRRS Design                              | LS      | 1           | \$ 60,000 00 | \$ 59,000 00         |
| Geotechnical Work                         | LS      | 1           | \$ 50,000 00 | \$ 50,000.00         |
| <u>Land (18 acres @ 12k)</u>              |         |             |              | \$ 216,000 00        |
| <u>Contingency</u>                        |         |             |              |                      |
| 10% of Hard Cost                          | Percent | 10%         | \$540,817.00 | \$ 54,081 70         |
| <b>Totals</b>                             |         |             |              | <b>\$ 971,531.38</b> |
|   |         |             |              | Cost/Lot \$ 4,539 87 |

## Waterbridge Sheaffer Plant

| Description                               | Units   | Unit<br>Qty | Unit<br>Cost | Extension            |
|---|---------|-------------|--------------|----------------------|
| <b><u>Reclamation System</u></b>          |         |             |              |                      |
| <u>Grading</u>                            |         |             |              |                      |
| Earth work                                | CY      | 22446       | \$ 3 00      | \$ 67,338 00         |
| Compacted Liner                           | CY      | 5593        | \$ 3 00      | \$ 16,779 00         |
| <u>Blowers, Pipes, Aerators</u>           |         |             |              |                      |
| Aerators/piping                           | Ea      | 21          | \$ 1,000.00  | \$ 21,000.00         |
| Air Heaters & supports                    | Ea      | 1           | \$ 25,000 00 | \$ 25,000 00         |
| Piping, Valves, Flow monitors, & manholes | Ea      | 1           | \$ 40,000 00 | \$ 40,000 00         |
| Blowers and Equipment                     | Ea      | 2           | \$ 20,000 00 | \$ 40,000 00         |
| Blower Shed                               | SF      | 400         | \$ 75 00     | \$ 30,000 00         |
| <u>Irrigation System</u>                  |         |             |              |                      |
| Chlorination Equipment                    | EA      | 1           | \$ 15,000 00 | \$ 15,000 00         |
| Building and pump to irragtion            | LS      | 1           | \$ 15,000.00 | \$ 15,000 00         |
| Piping from SMRRS to Irrigation areas     | LF      | 2000        | \$ 12 50     | \$ 25,000 00         |
| Irrigation Splinklers                     | Acre    | 17 5        | \$ 5,000 00  | \$ 87,500 00         |
| Irrigation Controls                       | LS      | 1           | \$ 15,000 00 | \$ 15,000 00         |
| <u>Other Support Items</u>                |         |             |              |                      |
| Fencing                                   | LF      | 2000        | \$ 15 00     | \$ 30,000 00         |
| Roads--Grading                            | LF      | 3000        | \$ 10 00     | \$ 30,000 00         |
| Creek Crossing                            | Ea      | 1           | \$ 10,000 00 | \$ 10,000 00         |
| Paving--Base (18' x 3000lf)               | SY      | 6000        | \$ 6 00      | \$ 36,000 00         |
| Paving--Binder                            | SY      | 6000        | \$ 3 20      | \$ 19,200 00         |
| Monitoring Wells--100'                    | Ea      | 4           | \$ 2,000 00  | \$ 8,000 00          |
| Connection to force main @ SMRRS          | Ea      | 1           | \$ 10,000 00 | \$ 10,000 00         |
| <u>Construction Management</u>            |         |             |              |                      |
| Construction Observation for SMRRS        | Percent | 4%          | \$540,817.00 | \$ 21,632.68         |
| Misc Expense                              | LS      | 1           | \$ 15,000 00 | \$ 15,000 00         |
| <u>Engineering/Design</u>                 |         |             |              |                      |
| Feasibility study                         | LS      | 1           | \$ 15,000.00 | \$ 15,000 00         |
| SMRRS Design                              | LS      | 1           | \$ 60,000.00 | \$ 59,000.00         |
| Geotechincal Work                         | LS      | 1           | \$ 50,000 00 | \$ 50,000 00         |
| <u>Land (18 acres @ 12k)</u>              |         |             |              | \$ 216,000 00        |
| <u>Contingency</u>                        |         |             |              |                      |
| 10% of Hard Cost                          | Percent | 10%         | \$540,817 00 | \$ 54,081 70         |
| <b>Totals</b>                             |         |             |              | <b>\$ 971,531.38</b> |
|   |         |             |              | Cost/Lot \$ 4,539 87 |

Catwright Creek LLC  
Pro-Forma Financials for Waterbridge Development

| Full Build Out Operating Scenario                        |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
|--|--|--|-----------|---------------------------------------|-------------------------------|------------|-----------------------|------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 3/18/2004  |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Operating Revenue  |  | Total Homes Occupied<br>Homes Sold @ Waterbridge     |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| 214 homes x  |  | \$   | 34 82     | (3.4 bedrooms) =                      | \$7 451                       | Monthly    | \$89 418              | \$13 371               | \$37 188                  | \$58 080                  | \$78 972                    | \$89 418                    | \$92 100                    | \$94 863                    | \$97 709                    | \$100 640                   | \$103 660                   |
| Tap Fees   |  | \$   | 5 500 00  | (3.4 bedrooms) =                      |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Total Revenues   |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Cost of Operation  |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Labor  |  | Operating Labor<br>4 hours/day 5 days/week =<br>Base |           | 0 5 Person                            | \$70 000                      | \$35 000   | \$7 000               | \$14 000               | \$21 000                  | \$28 000                  | \$35 000                    | \$36 050                    | \$37 132                    | \$38 245                    | \$39 383                    | \$40 575                    |                             |
| Power  |  | Blowers<br>1ir Pump<br>Other                         |           | 10 Hp<br>15 Hp<br>1 Hp                | 7 5 Kw<br>11 25 Kw<br>0 75 Kw | \$         | 4 589<br>1 449<br>460 | \$920<br>\$290<br>\$92 | \$1 840<br>\$580<br>\$184 | \$2 759<br>\$869<br>\$276 | \$3 679<br>\$1 159<br>\$368 | \$4 599<br>\$1 449<br>\$460 | \$4 737<br>\$1 492<br>\$474 | \$4 879<br>\$1 537<br>\$488 | \$5 025<br>\$1 583<br>\$503 | \$5 176<br>\$1 631<br>\$518 | \$5 328<br>\$1 680<br>\$533 |
| Hypochlorite (Commercial grade)                          |  | 10 mg/l feed rate                                    |           | 250 gallons/yr                        | \$1 /gallon                   | \$250      | \$0                   | \$0                    | \$125                     | \$188                     | \$250                       | \$258                       | \$265                       | \$273                       | \$281                       | \$290                       |                             |
| Testing and Analytical                                   |  | Quarterly Testing (BOD TSS, Ammonia)                 |           | 4 x                                   | \$                            | 2 000      | \$250                 | \$375                  | \$1 000                   | \$1 500                   | \$2 000                     | \$2 060                     | \$2 122                     | \$2 185                     | \$2 251                     | \$2 319                     |                             |
| Other Expenses   |  | Insurance  |           | \$                                    | 7 000                         | \$7 000    | \$525                 | \$1 050                | \$1 575                   | \$2 100                   | \$2 625                     | \$2 704                     | \$2 785                     | \$2 868                     | \$2 954                     | \$3 043                     |                             |
|  |  | Vehicle  |           | 30 miles round trip 1 x day, 250 days | \$0 35/mile                   | \$         | 2 000                 | \$2 000                | \$1 000                   | \$2 000                   | \$2 000                     | \$2 060                     | \$2 122                     | \$2 185                     | \$2 251                     | \$2 319                     |                             |
|  |  | Mowing   |           | \$                                    | 500                           | \$500      | \$500                 | \$500                  | \$500                     | \$500                     | \$500                       | \$518                       | \$537                       | \$556                       | \$575                       | \$596                       |                             |
|  |  | Phone line for autodialer                            |           | \$                                    | 600                           | \$600      | \$600                 | \$600                  | \$600                     | \$600                     | \$600                       | \$618                       | \$637                       | \$656                       | \$675                       | \$696                       |                             |
|  |  | 1/2 cell phone and pager @ \$100/month               |           | \$                                    | 1 000                         | \$200      | \$400                 | \$600                  | \$800                     | \$1 000                   | \$1 000                     | \$1 030                     | \$1 061                     | \$1 093                     | \$1 126                     | \$1 159                     |                             |
|  |  | Misc Supplies  |           | \$                                    | 1 000                         | \$200      | \$400                 | \$600                  | \$800                     | \$1 000                   | \$1 000                     | \$1 030                     | \$1 061                     | \$1 093                     | \$1 126                     | \$1 159                     |                             |
| Billing Allowance Paid to Catmright Creek                |  | 214 pumps  |           | \$4 67                                | /(pump/yr                     | \$999      | \$149                 | \$416                  | \$649                     | \$883                     | \$999                       | \$1 029                     | \$1 060                     | \$1 092                     | \$1 125                     | \$1 159                     |                             |
| Catmright Creek Payment                                  |  | 12% of revenue                                       |           | \$                                    | -                             | \$         | -                     | \$                     | -                         | \$                        | -                           | \$                          | -                           | \$                          | -                           | \$                          | -                           |
| Subtotal Annual Operating Costs                          |  | \$   | 58 482    | \$                                    | 19 526                        | \$         | 20 944                | \$                     | 31 954                    | \$                        | 41 776                      | \$                          | 51 482                      | \$                          | 53 027                      | \$                          | 54 618                      |
| Net Operating Income Before Other Items                  |  | \$   | 30 835    | \$                                    | 345 845                       | \$         | 291 244               | \$                     | 301 126                   | \$                        | 312 195                     | \$                          | 37 935                      | \$                          | 39 074                      | \$                          | 40 246                      |
| Other Income Expense/Reserves for Replacement            |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Interest Earnings on Reserves                            |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Depreciation   |  | \$53 333   | \$53 333  | \$53 333                              | \$53 333                      | \$53 333   | \$53 333              | \$53 333               | \$53 333                  | \$53 333                  | \$53 333                    | \$53 333                    | \$53 333                    | \$53 333                    | \$53 333                    | \$53 333                    | \$53 333                    |
| Debt Service   |  | \$2 000  | \$2 000   | \$2 000                               | \$2 000                       | \$2 000    | \$2 000               | \$2 000                | \$2 000                   | \$2 000                   | \$2 000                     | \$2 000                     | \$2 000                     | \$2 000                     | \$2 000                     | \$2 000                     | \$2 000                     |
| Taxes  |  | \$98 995   | \$78 854  | \$83 217                              | \$88 032                      | \$0        | \$0                   | \$0                    | \$0                       | \$0                       | \$0                         | \$0                         | \$0                         | \$0                         | \$0                         | \$0                         | \$0                         |
| Net Income After Taxes                                   |  | \$161 517  | \$128 560 | \$135 408                             | \$142 840                     | (\$42 352) | (\$40 275)            | (\$38 173)             | (\$36 055)                | (\$22 585)                | (\$21 531)                  |                             |                             |                             |                             |                             |                             |
| Statement of Cash Flows                                  |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Net Income After Taxes                                   |  | \$161 517  | \$128 560 | \$135 408                             | \$142 840                     | (\$42 352) | (\$40 275)            | (\$38 173)             | (\$36 055)                | (\$22 585)                | (\$21 531)                  |                             |                             |                             |                             |                             |                             |
| Less Other Allowances                                    |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |
| Reserve Fund for Replacement and Unscheduled Maintenance |  |  |           |                                       |                               |            |                       |                        |                           |                           |                             |                             |                             |                             |                             |                             |                             |

Includes Entire collection system except grinder pumps  
Blowers irrigation pumps typo pump  
Electrical equipment and instrumentation  
Irrigation system, auto valves nozzles  
214 homes

\$ 7,704 \$1,152 \$3,204 \$5,004 \$6,804 \$7,704 \$7,935 \$8,173 \$8,418 \$8,671 \$8,931

Grinder Pump Maintenance 214 pumps \$40 /pump/yr \$8,560 \$ 8,560 \$1,280 \$3,560 \$5,560 \$7,560 \$8,560 \$8,817 \$9,081 \$9,354 \$9,634 \$9,923

Add Depreciation Subtotal Other Allowances \$ 16,264 \$ 2,432 \$ 6,764 \$ 10,564 \$ 14,364 \$ 16,264 \$ 16,752 \$ 17,254 \$ 17,772 \$ 18,305 \$ 18,854  
Less Principal \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000) \$ (40,000)

Total Change in Cash (net of reserves) \$ 74,746 \$ 172,418 \$ 135,129 \$ 138,177 \$ 141,809 \$ (45,293) \$ (43,694) \$ (42,094) \$ (40,456) \$ (27,557) \$ (27,053)

Cumulative Cash Flow  
Cumulative Reserves @ 104earnings

Cash \$ 172,418 \$ 307,547 \$ 445,724 \$ 587,533 \$ 729,342 \$ 870,146 \$ 1,009,950 \$ 1,148,754 \$ 1,287,558 \$ 1,426,362 \$ 1,565,166  
Cash-Reserves \$ 2,432 \$ 9,196 \$ 19,760 \$ 34,124 \$ 48,488 \$ 62,852 \$ 77,216 \$ 91,580 \$ 105,944 \$ 120,308 \$ 134,672  
Plant \$ 746,667 \$ 683,334 \$ 620,000 \$ 556,668 \$ 493,334 \$ 430,000 \$ 366,668 \$ 303,334 \$ 240,000 \$ 176,668 \$ 113,334  
Land \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000 \$ 200,000  
Tax-Exempt Debt \$ (750,000) \$ (720,000) \$ (690,000) \$ (660,000) \$ (630,000) \$ (600,000) \$ (570,000) \$ (540,000) \$ (510,000) \$ (480,000) \$ (450,000)  
Equity - Retained Earnings \$ (320,000) \$ (361,517) \$ (403,034) \$ (444,551) \$ (486,068) \$ (527,585) \$ (569,102) \$ (610,619) \$ (652,136) \$ (693,653) \$ (735,170)  
Net Income \$ (161,517) \$ (172,418) \$ (183,319) \$ (194,220) \$ (205,121) \$ (216,022) \$ (226,923) \$ (237,824) \$ (248,725) \$ (259,626) \$ (270,527)

Unaddressed Issues  
Property taxes  
Possibility of Brentwood style initial pump replacement charge of \$2000

Assumptions

Operating Labor includes routine maintenance  
Operating Labor includes unscheduled maintenance that can be accomplished without tools  
Primary and secondary irrigation areas maintained by Carthwright/Shearer  
Remainder of green space maintained by others  
Carthwright Creek Handles Billing and Collection

Debt Schedule  
Rate 4%

1 800,000 32,000 40,000 40,000  
2 750,000 30,400 40,000 40,000  
3 680,000 28,800 40,000 40,000  
4 640,000 27,200 40,000 40,000  
5 600,000 25,600 40,000 40,000  
6 560,000 24,000 40,000 40,000  
7 520,000 22,400 40,000 40,000  
8 480,000 20,800 40,000 40,000  
9 440,000 19,200 40,000 40,000  
10 400,000 17,600 40,000 40,000

Tax Impact  
800,000  
248,000  
600,000  
1,648,000  
7628 62963

**Cartwright Creek, LLC**  
Pro-forma Financial Statements for Existing Grassland Plant and PG&S

Cartwright Creek Utility Co., Inc.  
Income Statement  
Twelve Months Ended October 31,

|  | 2004             | 2005             | 2006             | 2007             | 2008             | 2009             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Income</b>                            |                  |                  |                  |                  |                  |                  |
| Residential revenues _Grasslands         | \$ 184,732       | \$ 185,000       | \$ 190,550       | \$ 196,267       | \$ 202,154       | \$ 208,219       |
| Commercial revenues _Grasslands          | \$ 53,259        | \$ 54,000        | \$ 55,620        | \$ 57,289        | \$ 59,007        | \$ 60,777        |
| Residential revenues _PG&S               | \$ -             | \$ 13,371        | \$ 37,188        | \$ 58,080        | \$ 78,972        | \$ 89,418        |
| Tap Fees _PG&S                           | \$ -             | \$ 352,000       | \$ 275,000       | \$ 275,000       | \$ 275,000       | \$ -             |
| Other sewer revenues -Grasslands         | \$ 421           | \$ 400           | \$ 400           | \$ 400           | \$ 400           | \$ 400           |
| <b>TOTAL Income</b>                      | <b>238,412</b>   | <b>604,771</b>   | <b>558,758</b>   | <b>587,035</b>   | <b>615,534</b>   | <b>358,814</b>   |
| Expenses _Operating Waterbridge          | \$ -             | \$ 19,526        | \$ 20,944        | \$ 31,954        | \$ 41,776        | \$ 51,482        |
| Expenses _Operating Depreciation         | \$ -             | \$ 53,333        | \$ 53,333        | \$ 53,333        | \$ 53,333        | \$ 53,333        |
| <b>Expenses _Grasslands</b>              | <b>68,790</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| Sludge removal expense                   | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |
| Purchased power                          | \$ 23,462        | \$ 38,000        | \$ 39,140        | \$ 40,314        | \$ 41,524        | \$ 42,769        |
| Chemicals                                | \$ 6,517         | \$ 6,000         | \$ 6,180         | \$ 6,365         | \$ 6,556         | \$ 6,753         |
| Materials & supplies                     | \$ 23,607        | \$ 22,000        | \$ 22,660        | \$ 23,340        | \$ 24,040        | \$ 24,761        |
| Contract serv - engineering              | \$ 6,127         | \$ 2,000         | \$ 2,060         | \$ 2,122         | \$ 2,185         | \$ 2,251         |
| Contract Operators                       | \$ 38,150        | \$ 38,150        | \$ 39,295        | \$ 40,473        | \$ 41,688        | \$ 42,938        |
| Contract serv - accounting               | \$ 30,000        | \$ 30,000        | \$ 30,900        | \$ 31,827        | \$ 32,782        | \$ 33,765        |
| Contract serv - repairs & maint          | \$ 31,222        | \$ 12,000        | \$ 12,360        | \$ 12,731        | \$ 13,113        | \$ 13,506        |
| Contract Services - Legal                | \$ 9,540         | \$ 5,000         | \$ 5,150         | \$ 5,305         | \$ 5,464         | \$ 5,628         |
| Contract serv - Consulting fees          | \$ 60,000        | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |
| Sheaffer Management Fee                  | \$ -             | \$ 14,000        | \$ 14,420        | \$ 14,853        | \$ 15,298        | \$ 15,757        |
| Rents                                    | \$ 4,800         | \$ 1,800         | \$ 1,854         | \$ 1,910         | \$ 1,967         | \$ 2,026         |
| Sheaffer Sludge System Lease             | \$ -             | \$ 20,000        | \$ 20,600        | \$ 21,218        | \$ 21,855        | \$ 22,510        |
| Insurance expenses                       | \$ 475           | \$ 6,000         | \$ 6,180         | \$ 6,365         | \$ 6,556         | \$ 6,753         |
| Postage                                  | \$ 1,576         | \$ 1,600         | \$ 1,648         | \$ 1,697         | \$ 1,748         | \$ 1,801         |
| Regulatory commission expense            | \$ 657           | \$ 700           | \$ 721           | \$ 743           | \$ 765           | \$ 788           |
| Bad debt expense                         | \$ 1,718         | \$ 1,500         | \$ 1,545         | \$ 1,591         | \$ 1,639         | \$ 1,688         |
| Bank charges                             | \$ 406           | \$ 430           | \$ 443           | \$ 456           | \$ 470           | \$ 484           |
| Miscellaneous expense                    | \$ 1,078         | \$ 1,100         | \$ 1,133         | \$ 1,167         | \$ 1,202         | \$ 1,238         |
| <b>TOTAL Expenses</b>                    | <b>308,125</b>   | <b>200,280</b>   | <b>206,288</b>   | <b>212,477</b>   | <b>218,851</b>   | <b>225,417</b>   |
| <b>OPERATING PROFIT (LOSS)</b>           | <b>(69,713)</b>  | <b>404,491</b>   | <b>352,469</b>   | <b>374,558</b>   | <b>396,682</b>   | <b>133,397</b>   |
| <b>Other Income &amp; Expenses</b>       |                  |                  |                  |                  |                  |                  |
| Depreciation -Grasslands                 | \$ (83,103)      | \$ (83,103)      | \$ (83,103)      | \$ (83,103)      | \$ (83,103)      | \$ (83,103)      |
| Depreciation -Depreciation PG&S          | \$ -             | \$ (53,333)      | \$ (53,333)      | \$ (53,333)      | \$ (53,333)      | \$ (53,333)      |
| Taxes other than income                  | \$ (11,218)      | \$ (11,218)      | \$ (11,218)      | \$ (11,218)      | \$ (11,218)      | \$ (11,218)      |
| Interest PG&S reserves                   | \$ -             | \$ 97            | \$ 368           | \$ 790           | \$ 1,365         | \$ -             |
| Interest on PG&S Bonds                   | \$ (32,000)      | \$ (30,400)      | \$ (28,800)      | \$ (27,200)      | \$ (25,600)      | \$ -             |
| Interest & dividend income               | \$ 230           | \$ 5             | \$ 5             | \$ 5             | \$ 5             | \$ 5             |
| Donations for charitable, soci           | \$ (3,000)       | \$ (1,500)       | \$ (1,500)       | \$ (1,500)       | \$ (1,500)       | \$ (1,500)       |
| Interest expense                         | \$ (22,060)      | \$ (22,060)      | \$ (22,060)      | \$ (22,060)      | \$ (22,060)      | \$ (22,060)      |
| <b>TOTAL Other Income &amp; Expenses</b> | <b>(119,150)</b> | <b>(203,208)</b> | <b>(201,511)</b> | <b>(199,641)</b> | <b>(197,618)</b> | <b>(195,444)</b> |

Cartwright Creek, LLC

**Pro-forma Financial Statements for Existing Grassland Plant and PG&S**

|                                       |             | 2004              |             | 2005          |               | 2006                         |  | 2007 |  | 2008 |  | 2009 |  |
|---------------------------------------|-------------|-------------------|-------------|---------------|---------------|------------------------------|--|------|--|------|--|------|--|
|                                       |             | As of October 31, |             | Balance Sheet |               | Cartwright Creek Utility Co. |  |      |  |      |  |      |  |
|                                       |             |                   |             |               |               |                              |  |      |  |      |  |      |  |
| Net Cash Flow                         | (105,760)   | 231,052           | 234,061     | 258,020       | 282,167       | 21,057                       |  |      |  |      |  |      |  |
| NET PROFIT (LOSS)                     | (188,863)   | 201,282           | 150,958     | 174,917       | 199,064       | (62,046)                     |  |      |  |      |  |      |  |
| Tax Distribution to Investors         | \$          | -                 | \$          | -             | \$            | -                            |  |      |  |      |  |      |  |
| PROFIT (LOSS) BEFORE TAXES            | (188,863)   | 201,282           | 150,958     | 174,917       | 199,064       | (62,046)                     |  |      |  |      |  |      |  |
| Current Assets:                       |             |                   |             |               |               |                              |  |      |  |      |  |      |  |
| Fifth Third Bank - MMA                | \$297       | \$297             | \$297       | \$297         | \$297         | \$297                        |  |      |  |      |  |      |  |
| Cash - Waterbridge (PGA5)             | \$172,418   | \$307,547         | \$445,724   | \$587,533     | \$542,239     | \$50,388                     |  |      |  |      |  |      |  |
| Cash - Waterbridge Reserves (PGA5)    | \$2,432     | \$9,196           | \$19,760    | \$34,124      | \$50,388      | \$1,026,816                  |  |      |  |      |  |      |  |
| Union Planters - Operating            | \$458       | \$231,511         | \$465,572   | \$723,592     | \$1,005,759   | \$5,475                      |  |      |  |      |  |      |  |
| Union Planters - MMA                  | \$5,475     | \$5,475           | \$5,475     | \$5,475       | \$5,475       | \$668                        |  |      |  |      |  |      |  |
| Deferred Rate Case Expense            | \$668       | \$668             | \$668       | \$668         | \$668         | \$668                        |  |      |  |      |  |      |  |
| Customer accounts receivable          | (\$498)     | (\$498)           | (\$498)     | (\$498)       | (\$498)       | (\$498)                      |  |      |  |      |  |      |  |
| TOTAL Current Assets                  | \$6,401     | \$412,303         | \$788,257   | \$1,195,018   | \$1,633,358   | \$1,625,386                  |  |      |  |      |  |      |  |
| Fixed Assets:                         |             |                   |             |               |               |                              |  |      |  |      |  |      |  |
| Utility plant in service              | \$956,947   | \$956,947         | \$956,947   | \$956,947     | \$956,947     | \$956,947                    |  |      |  |      |  |      |  |
| A/D & amort of utility plant          | (\$693,064) | (\$776,167)       | (\$859,270) | (\$942,373)   | (\$1,025,476) | (\$1,108,579)                |  |      |  |      |  |      |  |
| Utility Plant in Service              | \$25,757    | \$25,757          | \$25,757    | \$25,757      | \$25,757      | \$25,757                     |  |      |  |      |  |      |  |
| Structures & improvements             | \$219,975   | \$219,975         | \$219,975   | \$219,975     | \$219,975     | \$219,975                    |  |      |  |      |  |      |  |
| Flow measuring devices                | \$5,414     | \$5,414           | \$5,414     | \$5,414       | \$5,414       | \$5,414                      |  |      |  |      |  |      |  |
| Flow measuring installations          | \$7,160     | \$7,160           | \$7,160     | \$7,160       | \$7,160       | \$7,160                      |  |      |  |      |  |      |  |
| Receiving wells                       | \$95,903    | \$95,903          | \$95,903    | \$95,903      | \$95,903      | \$95,903                     |  |      |  |      |  |      |  |
| Pumping equipment                     | \$127,225   | \$127,225         | \$127,225   | \$127,225     | \$127,225     | \$127,225                    |  |      |  |      |  |      |  |
| Treatment & disposal equipment        | \$409,085   | \$409,085         | \$409,085   | \$409,085     | \$409,085     | \$409,085                    |  |      |  |      |  |      |  |
| Plant sewers                          | \$11,158    | \$11,158          | \$11,158    | \$11,158      | \$11,158      | \$11,158                     |  |      |  |      |  |      |  |
| Outfall sewer lines                   | \$21,758    | \$21,758          | \$21,758    | \$21,758      | \$21,758      | \$21,758                     |  |      |  |      |  |      |  |
| Other plant & misc equipment          | \$31,303    | \$31,303          | \$31,303    | \$31,303      | \$31,303      | \$31,303                     |  |      |  |      |  |      |  |
| Other tangible plant                  | \$2,209     | \$2,209           | \$2,209     | \$2,209       | \$2,209       | \$2,209                      |  |      |  |      |  |      |  |
| Utility plant in service offset       | (\$956,947) | (\$956,947)       | (\$956,947) | (\$956,947)   | (\$956,947)   | (\$956,947)                  |  |      |  |      |  |      |  |
| TOTAL Utility plant in service offset | \$0         | \$0               | \$0         | \$0           | \$0           | \$0                          |  |      |  |      |  |      |  |
| Utility Plant in Service - PGA 5      | \$746,667   | \$693,334         | \$640,001   | \$586,668     | \$533,335     | \$200,000                    |  |      |  |      |  |      |  |
| Land - Waterbridge Site               | \$200,000   | \$200,000         | \$200,000   | \$200,000     | \$200,000     | \$200,000                    |  |      |  |      |  |      |  |
| TOTAL Fixed Assets                    | \$263,883   | \$1,127,447       | \$991,011   | \$854,575     | \$718,139     | \$581,703                    |  |      |  |      |  |      |  |
| Other Assets:                         |             |                   |             |               |               |                              |  |      |  |      |  |      |  |
| Misc current & accrued assets         |             |                   |             |               |               |                              |  |      |  |      |  |      |  |
| TOTAL Other Assets                    | \$321       | \$321             | \$321       | \$321         | \$321         | \$321                        |  |      |  |      |  |      |  |

| TOTAL ASSETS                       |             | LIABILITIES |             | CAPITAL     |             | TOTAL LIABILITIES & CAPITAL |           |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------------------------|-----------|
| \$270,605                          | \$1,540,071 | \$1,779,589 | \$2,049,914 | \$2,351,818 | \$2,207,410 | 270,605                     | 1,540,071 |
| Accounts payable                   | 49,349      | 49,349      | 49,349      | 49,349      | 49,349      | 1,000                       | 1,000     |
| Accrued Franchise Tax              | 585         | 585         | 585         | 585         | 585         | 1,000                       | 1,000     |
| Accrued Ad Valorem Tax             | 3,650       | 3,650       | 3,650       | 3,650       | 3,650       | 1,000                       | 1,000     |
| Accrued Gross Receipts tax         | 4,880       | 4,880       | 4,880       | 4,880       | 4,880       | 1,000                       | 1,000     |
| Accrued interest                   | 58,464      | 58,464      | 58,464      | 58,464      | 58,464      | 1,000                       | 1,000     |
| TOTAL Current Liabilities          | 58,464      | 58,464      | 58,464      | 58,464      | 58,464      | 1,000                       | 1,000     |
| Long-Term Liabilities:             |             |             |             |             |             |                             |           |
| Tax-Exempt Wastewater Bonds        | 760,000     | 720,000     | 680,000     | 640,000     | 600,000     | 1,000                       | 1,000     |
| L/T Debt - Reese L. Smith III      | 423,494     | 423,494     | 423,494     | 423,494     | 423,494     | 1,000                       | 1,000     |
| L/T Debt - Stephen B. Smith        | 423,494     | 423,494     | 423,494     | 423,494     | 423,494     | 1,000                       | 1,000     |
| TOTAL Long-Term Liabilities        | 423,494     | 423,494     | 423,494     | 423,494     | 423,494     | 1,000                       | 1,000     |
| Other Liabilities:                 |             |             |             |             |             |                             |           |
| Contributions in aid of constr     | 1,150,293   | 1,150,293   | 1,150,293   | 1,150,293   | 1,150,293   | 1,000                       | 1,000     |
| TOTAL Other Liabilities            | 1,150,293   | 1,150,293   | 1,150,293   | 1,150,293   | 1,150,293   | 1,000                       | 1,000     |
| TOTAL LIABILITIES                  | 1,632,251   | 2,392,251   | 2,352,251   | 2,312,251   | 2,272,251   | 1,000                       | 1,000     |
| Common stock issued                | 1,000       | 1,000       | 1,000       | 1,000       | 1,000       | 1,000                       | 1,000     |
| Retained earnings (deficit)        | (1,246,266) | (1,362,646) | (853,179)   | (573,662)   | (263,337)   | 1,000                       | 1,000     |
| Retained earnings (deficit) - PG&S | 200,000     | 200,000     | 0           | 0           | 0           | 1,000                       | 1,000     |
| Year-to-Date Earnings - PG&S       | 161,517     | 128,560     | 135,408     | 142,840     | 142,840     | 1,000                       | 1,000     |
| Year-to-Date Earnings - Grassland  | 147,949     | 150,958     | 174,917     | 199,064     | 199,064     | 1,000                       | 1,000     |
| TOTAL CAPITAL                      | (1,361,646) | (852,179)   | (572,662)   | (262,337)   | 79,568      | 1,000                       | 1,000     |
|                                    | 270,605     | 1,540,071   | 1,779,589   | 2,049,914   | 2,351,818   | 2,207,410                   | 2,207,410 |



## **FACILITIES MANAGEMENT AGREEMENT**

This Facilities Management Agreement (this "**Agreement**") is made and shall become effective this 12<sup>th</sup> day of October, 2004 (the "**Effective Date**"), by and between Sheaffer International, L.L.C., a Delaware Corporation ("Sheaffer") and the Town of Thompson's Station, ("**Customer**"), a Tennessee Municipal Corporation (singularly, "**Party**," and collectively, the "**Parties**") pursuant to which Sheaffer will provide to Customer the services described herein. Upon the following consideration and mutual promises, the Parties hereby agree as follows:

### **1. Commencement and Performance of Wastewater Services.**

a **Provision of Wastewater Treatment Services.** Subject to the specific terms of this Agreement, Sheaffer will provide the material and labor reasonably necessary to perform its obligations described in Attachment A of this Agreement. If at any time during the term hereof, Sheaffer fails to materially perform its obligations listed in Attachment A of this Agreement, Sheaffer shall, at Sheaffer's sole cost and expense and as Customer's sole remedy, take such corrective actions as shall be appropriate to correct such failure.

b **Additional Services.** Customer agrees that it shall offer Sheaffer the right of first refusal to perform any new design/build and/or financing services for all new wastewater-related projects, excluding sanitary collection sewers, within the corporate limits of the Town of Thompson's Station ("**Other Wastewater Projects**"). Customer agrees to negotiate solely and in good faith with Sheaffer for the provision of Other Wastewater Projects, be it deep cell or other type of treatment system(s). Should the Parties be unable to mutually agree upon the scope and compensation for Other Wastewater Projects within 90 days after Sheaffer offers to provide such services, Customer shall have the right to have Other Wastewater Projects performed by any third party.

### **2. Parties' Responsibilities.**

2.1 **Cooperation.** Customer and Sheaffer agree to provide such information, execute and deliver any documents and to take such other actions as may be reasonably requested by the other Party which are not inconsistent with the provisions of this Agreement and which do not involve the assumptions of obligations other than those provided for in this Agreement, in order to carry out the intent of this Agreement. Each Party agrees to comply with all laws, rules and regulations applicable to the performance of its obligations hereunder. Customer and Sheaffer shall provide one another with all accurate and complete information concerning any Facility that will assist efforts to assure that the operation and maintenance of the facility will be cost effective and environmentally sound.

2.2 **Rights of Access.** Customer warrants that it has, or will use, reasonable efforts to obtain the authority to, and hereby does, grant to Sheaffer all rights of access to all facilities to the extent reasonably necessary for Sheaffer to perform its duties and obligations required by this Agreement.

2.3 **Insurance.** Sheaffer shall maintain the following insurance coverage: General Liability in the amount of at least \$1 million per occurrence and \$2 million in the aggregate, for bodily injury, death, property damage and personal/advertising injury on an occurrence or claims-made basis with deletion of contractual liability exclusions for personal and advertising injury liabilities; Business Automobile Liability in a minimum combined single limit amount of \$1 million covering all owned, hired and non-owned automobiles owned or operated by Sheaffer; Workers' Compensation as required by the applicable jurisdiction, and in the event that the applicable jurisdiction has no such requirement, then at least in the amount of \$500,000 per accident; Employer's Liability in an amount of at least \$500,000 per occurrence; Umbrella/Excess Liability in an amount of at least \$2 million which coverage shall follow the primary General Liability, Automobile, and Employer's Liability insurance. Sheaffer shall provide the Customer with a current certificate of insurance evidencing each line of coverage required. Customer shall be given at least thirty (30) days' prior written notice of any change, cancellation, termination or lapse of insurance. Sheaffer may satisfy the insurance coverage requirements specified herein with a combination of primary, excess or self insurance.

2.4 **Subrogation.** Each Party shall waive their rights of subrogation against the other Party on insurance required herein and on property insurance maintained by each Party.

2.5 **Conditions at the Facility.** Customer and Sheaffer shall cooperatively seek to identify any conditions at the Facility which have the potential to pose an actual or potential threat to the health or safety of the Town inhabitants and will take actions that will mitigate the condition.

2 6 Material Changes. Prior to making any material change in the Equipment in a Facility, (a "**Material Change**"), Customer and Sheaffer will meet and evaluate the suggested change and assess the change in terms of cost effectiveness and environmental improvements.

### 3. **Compensation.**

3 1 Wastewater Management Services Charge The Wastewater Management Services Charge for each wastewater system, as defined in Attachment A, shall be due on the 15<sup>th</sup> day of each month, beginning with the month following the start-up of each respective wastewater system. In the event that the Wastewater Management Services Charge is not received by Sheaffer by the 15<sup>th</sup> day of a month in which it is due under Sections 3.1 and 3.2 above, Customer shall pay, in addition to the Wastewater Services Charge, interest on the amount outstanding (including any unpaid Wastewater Management Services Charges for previous months). The interest shall be calculated at an annual rate of 12%.

3 2 Payment of Operating Costs. Customer shall pay for any and all expenses related to operating the wastewater treatment facilities, as detailed in Attachment A, Section II, Item 2. Sheaffer shall review documents and recommend payments by the 1<sup>st</sup> business day of each month.

3 3 Other Charges The Parties anticipate working in a cooperative relationship, with Sheaffer performing services for the Customer outside the scope of this Agreement. Compensation for such services, including design and permitting of new wastewater systems, modifications of existing systems, consulting, and planning will be determined in separate agreements.

3 4 No Withholding of Payments In the event any dispute arises between Sheaffer and Customer with respect to this Agreement, the Parties will promptly undertake to resolve such dispute. Customer will not withhold or delay scheduled payment of the Wastewater Services Charge pending resolution of such dispute.

### 4. **Term and Termination.**

4 1 Term The term of this Agreement shall commence on the Effective Date and unless this Agreement is mutually terminated earlier, shall continue for a period of five (5) years thereafter (the "**Initial Term**") After the end of the Initial Term, this Agreement shall continue in effect for another five (5) years ("**Renewal Term**") and subsequent five (5) year terms until either Party expresses a desire to terminate this Agreement by giving written notice of termination to the other Party at least one (1) year prior to the end of the then-current term.

4.2 Termination for Sheaffer's Material Default Customer may terminate this Agreement by written notice to Sheaffer if Sheaffer materially fails to comply with the terms or conditions of this Agreement and, after receiving written notice describing such failure from Customer, Sheaffer fails to take corrective actions within 30 days of notification.

4 3 Termination for Customer's Material Default. Sheaffer may terminate this Agreement by written notice to Customer if Customer materially fails to comply with the terms or conditions of this Agreement within 30 days of notification and, after receiving written notice describing such failure from Sheaffer, Customer fails to take corrective actions.

### 5. **Indemnification and Liability.**

#### 2 4 Indemnification

A. SHEAFFER'S DUTY TO INDEMNIFY EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 5, SHEAFFER AGREES TO AND SHALL DEFEND, PROTECT, INDEMNIFY, AND HOLD HARMLESS CUSTOMER FROM AND AGAINST ANY AND ALL CLAIMS, ARISING DIRECTLY OUT OF THIS AGREEMENT TO THE EXTENT THAT THE CLAIMS ARE CAUSED BY, RESULT FROM, OR ARISE OUT OF THE NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL WRONGFUL ACT OR OMISSION, OR STRICT LIABILITY OF SHEAFFER, OR ANY OF ITS AGENTS, SERVANTS, EMPLOYEES, INDEPENDENT CONTRACTORS, SUBCONTRACTORS, SUCCESSORS, OR ASSIGNS.

B. CUSTOMER'S DUTY TO INDEMNIFY CUSTOMER AGREES TO AND SHALL DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS SHEAFFER FROM AND AGAINST ALL CLAIMS ARISING DIRECTLY OUT OF THIS AGREEMENT TO THE EXTENT THAT THE CLAIMS ARE CAUSED BY, RESULT FROM, OR ARISE OUT OF THE NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL WRONGFUL ACT OR OMISSION, OF CUSTOMER.

CUSTOMER AGREES TO INDEMNIFY AND HOLD HARMLESS SHEAFFER FROM AND AGAINST ALL CLAIMS, WHETHER BROUGHT BY CUSTOMER OR ANY THIRD PARTY, THAT ARE CAUSED BY, RESULT FROM, ARISE OUT OF, OR ARE IN ANY WAY CONNECTED TO THE PRESENCE OR ALLEGED PRESENCE OF ANY EXCLUDED HAZARDOUS MATERIALS AT THE FACILITY

5.2 Waiver of Consequential Damages IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER IN CONTRACT, TORT, PRODUCTS OR STRICT LIABILITY OR ON ANY OTHER BASIS, FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY NATURE, WHICH SHALL INCLUDE, WITHOUT LIMITATION, SUCH ITEMS AS. (A) INDIRECT OPERATING COSTS, (B) FUTURE OVERHEAD COSTS, (C) LOSS OF FUTURE PROFITS OR REVENUES, (D) FUTURE COSTS OF CAPITAL, (E) LOSS OF USE OF MONEY, (F) OTHER BUSINESS INTERRUPTION COSTS OR LOSSES, OR (G) COSTS ASSOCIATED WITH INSOLVENCY, FAILURE, OR DISSOLUTION OF A BUSINESS ENTITY.

5.3 Limitation of Liabilities SHEAFFER'S LIABILITY TO CUSTOMER FOR CLAIMS CAUSED OR ALLEGED TO BE CAUSED IN WHOLE OR IN PART BY SHEAFFER, INCLUDING WITHOUT LIMITATION, SHEAFFER'S PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND ANY NEGLIGENCE, WILLFUL MISCONDUCT, PRODUCT OR STRICT LIABILITY OR ANY OTHER THEORY OF LIABILITY OF SHEAFFER AT THE FACILITIES, SHALL BE LIMITED IN THE AGGREGATE TO THE SUM OF THE FOLLOWING.

A FOR ALL CLAIMS THAT ARE COVERED BY INSURANCE REQUIRED TO BE KEPT BY SHEAFFER PURSUANT TO SECTION 3.3, SHEAFFER'S LIABILITY TO CUSTOMER, SHALL BE LIMITED TO THE REQUIRED LIMITS OF SUCH INSURANCE LESS ANY AMOUNTS OWED OR PAID BY SHEAFFER FOR ANY PRIOR CLAIMS, AND

B FOR ALL CLAIMS THAT ARE NOT COVERED BY THE INSURANCE REQUIRED TO BE KEPT BY SHEAFFER PURSUANT TO SECTION 3.3, SHEAFFER'S LIABILITY TO CUSTOMER, SHALL BE LIMITED TO \$1,000,000 LESS ANY AMOUNTS OWED OR PAID BY SHEAFFER FOR ANY PRIOR CLAIMS

5.4 Disclaimer of Warranties THE PARTIES ACKNOWLEDGE AND AGREE THAT THE REPRESENTATION AND WARRANTIES DESCRIBED IN THIS AGREEMENT ARE THE ONLY STANDARDS OF PERFORMANCE APPLICABLE TO SHEAFFER PERFORMANCE OF ITS OBLIGATIONS DESCRIBED IN THIS AGREEMENT NO OTHER REPRESENTATIONS, OBLIGATIONS, OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SHALL APPLY TO SHEAFFER'S PERFORMANCE OF ITS OBLIGATIONS IN THIS AGREEMENT, AND ALL SUCH WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED AND CUSTOMER HEREBY WAIVES ALL SUCH WARRANTIES

5.5 Environmental Conditions Neither Party shall cause the storage, use, or generation of any Hazardous Materials at any facility except in accordance with Environmental Laws and as reasonably necessary to perform the Wastewater Services or to perform operations in the normal course of business at such facility. Sheaffer shall take all remedial or other actions required under Environmental Laws to address the presence, release, or threatened release of Hazardous Materials at a facility to the extent that such presence or release is directly caused by Sheaffer's negligent or intentional act or omission, however, Customer acknowledges that it is the "generator," as that term is defined in regulations implementing the federal Resource Conservation and Recovery Act (RCRA), 42 U.S.C. §§ 6901 *et seq.*, and any similar state regulations and laws, of any Hazardous Materials that result from the operation of any facilities or Sheaffer's performance of its obligations described in this Agreement, and Customer shall be solely responsible for disposing of any such Hazardous Materials in accordance with applicable Environmental Laws. Customer is solely responsible for determining whether and to what extent any Hazardous Materials are located at any facility. If either Party determines that Hazardous Material is located at any facility, such Party shall promptly notify the other Party and Customer shall take all action necessary to remove and dispose of such Hazardous Material [[[ or, in the case of asbestos-containing materials, remove, dispose or substantially mitigate the risk of exposure thereto]]]. Upon the mutual agreement of the Parties, Sheaffer will assist Customer in complying with any applicable handling, disposal, permitting, reporting, record keeping, or other requirements under Environmental Laws, but Customer will remain solely responsible for compliance with same

5.5.1 Prohibited and Restricted Discharges The Customer shall not discharge and Customer has adopted its Ordinance No. 04-003 to attempt to prevent the following into the wastewater treatment facilities the following

- (i) Any gasoline, benzene, naphtha, fuel oil, motor oil or other flammable or explosive liquid, solid or gas

- (ii) Any water containing toxic or poisonous solids, liquids or gases in sufficient quantity, either singly or by interaction with other wastes, to injure or interfere with any waste treatment process, or constitute a hazard to humans or animals
- (iii) Any water or waste having a pH lower than 5.5 or greater than 9.5, or having any other corrosive property capable of causing damage or hazard to structures, equipment or personnel.
- (iv) Any solid or viscous substances in quantities or of such size capable of causing obstruction to the flow in sewer lines.
- (v) Any hazardous substance whose discharge is prohibited by law, as amended from time to time, and all rules and regulations promulgated thereunder

## 6. Other Terms and Conditions.

6.1 Attorneys' Fees and Court Costs The prevailing Party in any dispute between the Parties arising from this Agreement shall be entitled to recover from the other Party its reasonable attorneys' fees and costs incurred in pursuing or defending such dispute

6.2 Notices. Any notice required under this Agreement shall be in writing, personally delivered or sent by certified mail, postage prepaid, to the other Party at the address set forth below or to such other address as any Party may so designate in writing from time to time

With a copy to:

Attn. President  
Sheaffer International, L.L.C.  
800 Roosevelt Rd, Suite B-200  
Glen Ellyn, Illinois 60137

With a copy to:

Attn. Mayor  
Town of Thompson's Station  
P.O. Box 100  
Thompson's Station TN 37179

## 6.3 Confidential Information

A. For purposes of this Section 6.3, except as provided below, the term "**Confidential Information**" means this Agreement and all confidential or proprietary information, documents, and electronic data that either Party obtains in any manner from the other Party. Confidential Information does not include any information or documents that: (i) have or become public information without any breach of this Agreement; (ii) was already legally in the receiving Party's possession prior to the time that the Party disclosed such Confidential Information to the receiving Party, (iii) the receiving Party obtained from a third party (other than one acting on behalf of the Party disclosing such information) who the receiving Party has no reason to believe is unlawfully in possession of the information and who the receiving Party has no reason to believe is in violation of any contractual, legal, or fiduciary obligation to the Party disclosing such Confidential Information, (iv) is or was independently developed by the receiving Party without the benefit or use of any Confidential Information received hereunder; or (v) are required to be disclosed by any law, regulation or court of applicable jurisdiction, provided that the Party required to disclose such information shall, as soon as reasonable possible after such Party discovers the information is required to be disclosed, notify the other Party in writing.

B. Both Parties shall hold all Confidential Information that either receives from the other Party in strict confidence and use at least the same degree of care as it uses with respect to its own confidential information to prevent the disclosure of such Confidential Information. Neither Party shall disclose the Confidential Information to any person or entity except to persons who are necessary to perform such receiving Party's obligation described in this Agreement. Neither Party shall provide Confidential Information to any such person until such person agrees to abide by the terms of this Agreement. Each Party shall, at its own expense, take all reasonably available steps necessary to prevent the unauthorized use or disclosure of any Confidential Information by any of its representatives or employees or by any other person or entity who gains access to such Confidential Information from such Party in violation of the terms of this Agreement. At the written request of either Party, the other Party shall return all Confidential Information of the requesting Party.

C. All obligations of confidentiality described in Section 6.3 shall continue for a period of two (2) years after the termination of this Agreement

- 6 4 Solicitation. During the term of this Agreement and for a period of one (1) year following any expiration or termination of this Agreement, neither Party will offer employment to or employ any person employed then, or at any time within the preceding one year, by the other Party, without that Party's prior written consent
- 6 5 Force Majeure In the event either Party's performance of this Agreement is delayed in connection with any circumstance beyond such Party's control including, without limitation, fires, floods, accidents, labor shortages, failure to secure materials from the usual sources of supply, strikes, riots, and national emergencies, but expressly excluding obligations of payment, then such Party may elect to suspend performance under this Agreement but only to the extent, and only for the period, that its performance is prevented by the event. In the event that any suspension under this paragraph occurs for a period in excess of 120 days, either Party may elect to terminate this Agreement
- 6 6 Entire Agreement This Agreement has been negotiated and prepared by and for the Parties equally and shall not be construed as having been drafted by one Party. When fully executed, it shall supersede all prior agreements, either oral or in writing This Agreement shall constitute the entire agreement between the Parties and shall not be modified except through writing and signed by the Parties
- 6 7 Construction of Agreement In the event that any part of this Agreement shall be declared void or unenforceable by any court having jurisdiction, such imperfection shall not affect the validity or enforceability of the remainder of this Agreement unless the result would be manifestly unconscionable. The clause headings appearing in this Agreement have been inserted for the purpose of convenience and ready reference They do not purport to, and shall not be construed to, define, limit or extend the scope or intent of this Agreement The terms, conditions, obligations and definitions contained in this Agreement are intended by the Parties to apply to all attachments attached unless expressly provided otherwise.
- 6 8 No Waiver The failure of a Party to insist upon the strict performance of the terms and conditions hereof shall not constitute a waiver of that Party's right to enforce the same in the event of a continuing or subsequent default on the part of the other Party
- 6 9 Choice of Law, Designation of Jurisdiction for Disputes, Venue. This Agreement is governed by and shall be construed in accordance with laws of the State of Tennessee without giving effect to any choice or conflict of law provision or rule (whether of the State of Tennessee or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Tennessee. The Parties mutually consent to the jurisdiction of the federal and state courts in Williamson County, Tennessee and agree that any action, suit or proceeding concerning, related to, or arising out of this Agreement and the negotiation of this Agreement will be brought only in a federal or state court in Williamson County, Tennessee and the Parties agree that they will not raise any defense or objection or file any motion based on lack of personal jurisdiction, improper venue, inconvenience of the forum or the like in any case filed in a federal or state court in Williamson County, Tennessee. The Parties mutually agree that this Agreement is a "major transaction" within the meaning of the Tennessee State Law and as such agree that any action or suit arising from this Agreement shall be brought in Williamson County, Tennessee
- 6 10 No Third-Party Rights. Nothing in this Agreement (including any attachments) shall create, or be construed as creating, any express or implied rights in any person or entity other than the Parties except that Sheaffer and Customer are express third-party beneficiaries of any section that specifically names them
- 6.11 Counterparts This Agreement may be executed in multiple counterparts including by facsimile transmission, each of which is considered an original and shall be binding upon the Party who executed same, but all of such counterparts shall constitute the same Agreement
- 6 12 Authority Both Parties hereby warrant that they are fully authorized to enter into this Agreement and to perform each of their respective obligations described.
- 6 13 Subcontracting Notwithstanding anything to the contrary in this Agreement, Sheaffer may subcontract any part of its obligations under this Agreement without obtaining the prior consent of Customer, provided, that no such subcontracting shall release Sheaffer from liability for the performance of its obligations hereunder.
- 6 14 Independent Contractor Customer and Sheaffer intend that an independent contractor relationship be created by this Agreement and nothing in this Agreement shall be construed as creating an agency, employer/employee relationship, partnership, joint venture, or other business group relationship except as otherwise expressly provided herein.

6 15 Assignment and Delegation Customer shall not assign, transfer, or otherwise dispose of any of its rights, nor delegate its obligations under this Agreement without the prior written consent of Sheaffer. If Customer requests such consent of Sheaffer, Sheaffer shall not unreasonably withhold its consent. Sheaffer may, without Customer's prior written consent, assign, transfer or otherwise dispose of any of its rights or delegate its obligations under this Agreement to (a) any affiliated or subsidiary entity of similar net worth; or (b) any person or entity qualified to perform the Wastewater Treatment and/or Additional Services. This Agreement will inure to the benefit of and be binding upon any successors and permitted assigns or delegates.

**7. Definitions.**

**"Claims"** means all claims, losses, expenses, damages (including actual, punitive and attorneys' fees), demands, judgments, causes of action, suits, and liability in tort, contract, product or strict liability or any other basis and of every kind and character whatsoever.

**"Effective Date"** is defined in the introductory paragraph to this Agreement.

**"EDU"** means Equivalent Dwelling Unit ("EDU") and is the flow of 350 gallons per day (gpd).

**"Environmental Laws"** means all applicable federal, state, or local statutes, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601-9675, ordinances, regulations, rules, resolutions, orders, permits, binding determinations by governmental entities, writs, injunctions, common law rulings, judgments, or decrees, now or hereafter in effect relating to the generation, production, use, storage, treatment, transportation, release, threatened release or disposal of Hazardous Materials, noise control, or the protection of human health, safety, natural resources, industrial hygiene, or the environment.

**"Equipment"** means the wastewater treatment facility, including mechanical, electrical, spray irrigation, and other equipment and materials associated with a facility.

**"Facility"** means individually, and **"Facilities"** means collectively, a system to collect, reclaim, and reuse wastewater and shall include all lines, pumps and equipment of every kind and nature.

**"Hazardous Materials"** means any substances that will cause or threaten to cause a nuisance, as defined under Environmental Laws, to the Facility or to adjacent properties.

**"Start-up"** means the date at which a permitted, constructed wastewater treatment facility begins receiving and treating wastewater.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date written above.

Town of Thompson's Station

Sheaffer International, L.L.C.

By \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

## ATTACHMENT A

### Scope of Services

#### I. Sheaffer will provide the following services:

##### 1 Operations

- Establish an office in Thompson's Station
- Supply operating staff, including licensed operators who meet all Tennessee qualification requirements to operate the system
- Ensure that the wastewater reclamation and irrigation systems are operated in accordance with the requirements of TDEC and the Town of Thompson's Station
- Operating personnel will be required to be "on-call" and will be paged by automated alarm systems in the event of emergency mechanical failures
- Review and approve invoices for operating and maintenance expenses, such as for electricity and supplies

##### 2 Maintenance

- Establish and carry out a preventive maintenance program for the wastewater reclamation and irrigation systems
- Establish and carry out a regular inspection program for the collection systems (up to homeowner's property lines).
- Ensure an adequate supply of spare parts and other supplies are on hand
- Complete non-scheduled maintenance, such as emergency repairs, as necessary.

##### 2 Reporting

- Collect quarterly samples and arrange for analyses required by the facilities' TDEC operating permits
- Collect and maintain a record of operating data needed for TDEC report submittals, such as influent flow, irrigation flow, and sampling analyses
- Prepare and submit quarterly reports to TDEC as defined in the facilities' TDEC operating permits.

##### 4, Design and Permitting of New Systems

- Ensure that any proposed new wastewater systems are designed to comply with the requirements of Town Ordinance No. 04-003
- Provide design and permitting services to the Customer for new wastewater systems and/or modifications of existing systems in a competitive manner.

##### 5. Consultation and Planning Assistance

- The Parties envision Sheaffer providing consultation and planning assistance, including assistance securing carbon sequestering credits for irrigation areas, to the Customer, compensation for which will be determined separately from this Agreement

#### II. The Town of Thompson's Station will be responsible for the following items:

- 1 Billing and collection of monthly fees to facilities customer of the Town
2. Preparation of purchase orders and issuing payments, either directly or via reimbursement to Sheaffer (see Section 3.2), for operations and maintenance expenses, such as electric service, miscellaneous supplies, laboratory analyses, Sheaffer operating staff expenses, and other expenses
3. Mowing or other maintenance of parks and other irrigation areas dedicated to the Town of Thompson's Station

- 4 Enforcement of Town Ordinance No 04-003, and detailed in Section 3.4, "User Discharge Requirements "
- 5 Securing and benefiting from any carbon sequestering benefits that accrue from the reuse (irrigation) areas.
6. Customer will pay Sheaffer a Wastewater Management Services Fee (see Section 3.1) of \$1,000 per month to manage and supervise the operation and maintenance of the first facility, \$5,000 per month to manage and supervise the operation and maintenance of each of the next five (5) facilities, and \$4,000 per month to manage and supervise the operation and maintenance of any additional facilities. At the end of each year, the monthly fee will be increased 3.0%.